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TO RUEHC/SECSTATE WASHDC IMMEDIATE

INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHGG/UN SECURITY COUNCIL COLLECTIVE PRIORITY

RUCNIRA/IRAN COLLECTIVE PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEAWJA/DEPT OF JUSTICE WASHDC PRIORITY

RHEFHLC/DEPT OF HOMELAND SECURITY WASHINGTON DC PRIORITY

RUEAORC/US CUSTOMS AND BORDER PROTECTION WASHINGTON DC PRIORITY

RUEADRO/HQ ICE DRO WASHINGTON DC PRIORITY

RHMFIS/FBI WASHINGTON DC PRIORITY

RUCPDO/USDOC WASHDC PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHMFIS/HOMELAND SECURITY CENTER WASHINGTON DC PRIORITY

RUEAIIA/CIA WASHINGTON DC PRIORITY

RUEKJCS/DOD WASHDC PRIORITY

S E C R E T SECTION 01 OF 04 BRUSSELS 000536

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TREASURY FOR TFFC, TFI, OIA

EU POSTS FOR IRAN WATCHERS AND TFCOS

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UNSC, IR, PINR, EUN, KPAL, KPAO

SUBJECT: IRAN SANCTIONS: AA/S GLASER BRIEFS EU ON PRIORITY TARGETS

REF: A. A. BRUSSELS 205

[B. B. BRUSSELS 41](#)

[C. C. 2008 BRUSSELS 1468](#)

[D. D. BRUSSELS 101](#)

Classified By: USEU EconMinCouns Peter Chase for reasons 1.4 (b), (d), (e).

[1](#)1. (S//NF) SUMMARY AND COMMENT: During a March 2-3 visit to Brussels, Daniel Glaser, Acting Assistant Secretary of the Treasury for Terrorist Financing and Financial Crimes, assured an uncertain European Union that the United States remains committed to the dual track approach to Iran and said we would welcome additional EU designations targeting Iran's proliferation and sanctions evasion activities. Delivering an unprecedented classified briefing to over 70 Middle East and nonproliferation experts from all 27 EU states and institutions, Glaser encouraged the EU to move forward on specific designations to support the current international framework targeting Iran's illicit conduct through financial measures.

[1](#)2. (C) EU Member States and officials uniformly praised the U.S. information-sharing on sanctions and the U.S. policy review. Capturing the predominant sentiment, the Czech Presidency expressed gratitude for AA/S Glaser's presentation and confirmation that further EU measures "would be consistent with the U.S. policy review" as a signal the EU "are all waiting for, as this plays an important role in EU considerations." However, some EUMS were uncertain whether they should move forward on pending designations before the completion of the policy review. During the briefing and on its margins, member states' concerns emerged over national economic interests, unintended consequences (e.g., hurting average Iranians, sanctions efficacy, Iran's regional role, lawsuits, and international unity). Glaser's separate consultations with representatives from the Council Secretariat and Commission, and Ambassadors of the Czech Republic (Presidency), UK, France, Germany, Spain, and incoming EU-Presidency Sweden are reported septel.

¶3. (C) The content, tone, and timing of AA/S Glaser's briefing impressed an appreciative EU audience as a sign of the new U.S. Administration's seriousness about engagement with Europe. The EU is predisposed to respond positively to the new Administration's policy on Iran and wants its views taken into account during the policy review stage. Glaser's presentation kept the good feelings going, but also helped bring EU experts down to earth in terms of specific tasks on which the EU could usefully focus now. We hope the briefing provides a basis for further USG lobbying in individual EU Member States in capitals on pending EU designations. END SUMMARY AND COMMENT.

U.S. Message: EU Should Act --
2009 The Critical Year

¶4. (S) On March 3, the Czech EU Presidency convened a formal meeting of the EU-27 Iran and non-proliferation experts (COMOG/CONOP) to receive a classified briefing from a U.S. interagency delegation led by AA/S Glaser on measures in the financial and transport sectors to counter Iran's illicit conduct. The session lasted a little over an hour (40 minute presentation followed by 30 minutes of Q/A). Given intense EU interest and in order to set the political context for the detailed technical briefing on specific U.S. designations that followed, AA/S Glaser noted that the U.S. policy review on Iran had not yet finalized, but it was already clear that

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the USG would remain committed to a dual track approach to resolving the nuclear issue. Consequently, the United States would welcome EU actions now to reinforce existing UNSCRs. The EU should act quickly to designate additional high priority proliferation targets.

¶5. (S) To be sure, "engagement" would be an important aspect of a comprehensive strategy to dissuade Iran from acquiring nuclear weapons. However, "engagement" alone is unlikely to succeed. Diplomacy's best chance of success requires all elements combining pressure and incentives to work simultaneously, not sequentially. Our shared challenge is to work together in finding the right mix of measures. Time was not on our side. The international community must urgently choose between several bad options facing us in 2009; none of these options were without cost. Glaser pointed out that the dynamic nature of the international financial system required that targeted financial sanctions against Iran must be continually adjusted to maintain, let alone increase, pressure on Iran. Over time, targeted Iranian entities were finding ways to evade sanctions via front companies and facilitators. Without continuous active management on the part of the international community, the measures taken thus far would be rendered merely symbolic gestures.

¶6. (S) Glaser stated that the EU had an important, but time-sensitive, opportunity to help diplomacy succeed by targeting illicit Iranian conduct that contravened UN Security Council Resolutions (UNSCRs). The international framework for moving forward was already in place, under the auspices of the UNSCRs and the Financial Action Task Force (FATF). ; we should continue to support and operate within this framework. Glaser urged the EU not to Underestimate its influence on the actions of other key countries and regions.

Priority Designation Targets

¶7. (S) AA/S Glaser's formal presentation provided U.S. views and specific intelligence on financial and transport entities under active EU consideration for designation, including Bank Mellat, the Export Development Bank of Iran (EDBI), Bank Saderat, the Islamic Republic of Iran Shipping Line (IRISL), and Iran Air (the only entity not yet U.S.-designated, which

AA/S Glaser explained remains a potential target). Separately, several EU contacts found our case against Bank Mellat, EDBI and shipping companies to be particularly well formulated.

EU Audience, Reactions

¶8. (C) All 27 EU Member States (EUMS) attended the Czech Presidency-hosted classified briefing on March 3 in Brussels. Indicative of the EU's high level of interest, all but Slovakia sent their capitals-based nonproliferation working group ("CONOP") technical expert in addition to their Middle East regional expert (mixture of capitals- and Brussels-based). This was the first time the USG was welcomed to address this combined EU expert working group, which meets ad hoc to decide on revising EU nonproliferation measures against Iran. Permanent institutional staff covering Iran, sanctions, and nonproliferation attended from the EU's Commission and Council Secretariat. The EU's Situation Center (SitCen), the community's intelligence coordination unit, also sent several representatives.

¶9. (C) Capturing the main sentiment in the room, the Czech Presidency expressed gratitude for AA/S Glaser's presentation

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and confirmation that further EU measures "would be consistent with the U.S. policy review" as a signal the EU "are all waiting for, as this plays an important role in EU considerations." The Czechs and several others noted that U.S. information-sharing was conducive to closer transatlantic cooperation on Iran policy, predicting this would directly influence internal EU debate on pending designations of entities and individuals supporting Iran's proliferation.

¶10. (C) Betraying some smaller EU states' resentment of the EU-3 countries' (UK, France, Germany) prerogatives within the Council on Iran policy, Cyprus pointedly thanked the U.S. delegation for sharing information with the entire EU "so all can take an informed decision," rather than being asked to take action through a "leap of faith" when some EUMS have information but the rest do not. "We also welcome that you are stressing the dual-track approach," Cyprus added. (Comment: The Cypriot intervention notwithstanding, the Czechs took considerable risk just in hosting the U.S. presentation. The EU remains prickly over direct U.S. participation in their internal discussions and processes, particularly after the bitter divides over Iraq. The Czechs suffered some pushback prior to the event. End Comment.)

¶11. (C) At the conclusion of the briefing, a handful of smaller EUMS raised concerns routinely featured in the EU's ongoing internal debate over next steps. (Note: The EU-3 and Italy refrained from speaking during the briefing in apparent deference to the rest of the membership who do not enjoy routine access to U.S. senior Iran policymakers. End Note.)

Unintended Consequences?

¶12. (C) Poland, Cyprus, and Portugal asked about the impact of current sanctions against Iran on the elite, the broader population, and the deteriorating economy. Is the U.S. concerned that further moves could trigger an anti-Western backlash? Could we target political elites without victimizing or burdening the general population? While expressing support for targeted measures, Portugal and Cyprus worried that strengthening sanctions before Iran's June presidential elections could prove counterproductive by radicalizing the electorate and leading to Ahmadinejad's re-election. Cyprus flagged comments by Iranian human rights activist Shirin Ebadi against sanctions and stressed that it want to encourage Iranian moderates. Portugal asked whether

the United States has considered Iran's role in the region, e.g., Afghanistan, Iraq, and the broader Middle East.

¶13. (C) AA/S Glaser concurred that these are all important questions, but pointed out that the international community must choose among a set of bad options in a very compressed timeframe. The international community must convey an urgent sense of seriousness -- both to Iran and to other interested regional stakeholders in order to change strategic calculations and maximize the chance of a diplomatic success.

By law, U.S. sanctions target those engaged in illicit conduct, including proliferation and terrorist financing. Targeting the Iran's access to the international financial system offers the best chance of reducing harm to the average population.

¶14. (C) As to the impact of sanctions, Glaser noted that disaggregating the effect of international sanctions and Iran's own disastrous economic policies would be nearly impossible. Moreover, sanctions must be examined in the context of an overall policy approach and not in isolation. A more useful indicator is the perception of Iran's

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decision-makers, who view sanctions as problematic, raising business costs, and necessitating evasive behavior: the elite are reacting as if sanctions are having an impact.

Russia and China?

¶15. (C) The Netherlands asked for U.S. views on the roles of Russia and China. Cyprus referenced the importance of P5 1 unity to ensure Iran did not circumvent sanctions and promote efficacy, adding "UN backing is the best way." AA/S Glaser agreed, but argued that we were already required to implement existing UNSCRs. This situation demanded a nimble response to changing conditions, including deceptive practices by designated entities. The U.S. closely consults Russia and China, who must play their parts.

What Should the EU Do? Will U.S. Answer the Mail?

¶16. (C) The Netherlands asked what the U.S. explicitly wanted from Europe in the diplomatic ("political") track, and whether we plan to respond to the Iranian President's earlier letters (to former President Bush). AA/S Glaser referred the Dutch to State on matters of diplomacy. On the sanctions front, he noted that the U.S. policy review should not be a reason for the EU to stop reviewing its existing sanctions for appropriate next steps. Given the tight timeframe, it would be helpful for the EU to make similar designations to those already included under existing U.S. sanctions authorities.

The Saderat Problem

¶17. (S//NF) In his presentation, AA/S Glaser noted UNSCR 1803 and EU Common Position identification of Saderat for proliferation concerns, but explained that our domestic designation falls under U.S. counter-terrorism authorities. Although not raised by Member States in the formal briefing, several EU contacts (UK, France, Germany, Council Secretariat and Czech Presidency) had raised concerns that the EU would not be able to act upon the U.S. basis for designation of Bank Saderat (support for terrorist activity). The EU Common Position imposing measures against Iran is strictly limited to proliferation as a legal basis for inclusion on the list. Support for terrorist financing is not grounds for inclusion.

(Comment: As the additional U.S. information presented was exclusively limited to terrorist financing concerns, some EUMS are questioning whether a sufficient proliferation basis exists for Saderat's inclusion under EU Iran sanctions. The EU does not/not yet have consensus to include Saderat in the

next round. End Comment.)

[¶18.](#) (U) AA/S Glaser has cleared this message.

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